

PUBLIC HEARING

AUGUST 13, 2014

A public hearing of the Council of the County of Kauaʻi was called to order by Mason K. Chock, Sr., Chair, Finance & Economic Development (Tourism / Visitor Industry / Small Business Development / Sports & Recreation Development / Other Economic Development Areas) Committee, on Wednesday, August 13, 2014, at 2:03 p.m., at the Council Chambers, 4396 Rice Street, Suite 201, Historic County Building, Līhuʻe, and the presence of the following was noted:

Honorable Mason K. Chock, Sr.
Honorable Gary L. Hooser
Honorable Ross Kagawa
Honorable Mel Rapozo
Honorable JoAnn A. Yukimura
Honorable Jay Furfaro (*not present*)

Excused: Honorable Tim Bynum

The Clerk read the notice of the public hearing on the following:

“Bill No. 2548 – A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, KAUAI COUNTY CODE 1987, AS AMENDED, RELATING TO REAL PROPERTY TAXES (*Time Share Tax Classification Proposal*),”

which was passed on first reading and ordered to print by the Council of the County of Kauaʻi on July 9, 2014, and published in The Garden Island newspaper on July 16, 2014.

The following communications were received for the record (*see Bill No. 2548 testimony log*):

1. Blohowiak, Bruce J., dated August 13, 2014
2. Braman, Jim, dated August 11, 2014
3. Buck, Cliff J., dated August 13, 2014
4. Countryman, Bill, dated August 12, 2014
5. DaRonco, Julie, dated August 13, 2014
6. Gabriel, Christina, dated August 12, 2014
7. Hookano, Primrose K. “Noe”, dated August 11, 2014
8. Pacer, Scott, dated August 11, 2014
9. Shiraishi, Sherman, dated August 13, 2014

10. Szigeti, George, dated August 13, 2014
11. Wardlow, Denise, dated August 11, 2014
12. Young, John, dated August 12, 2014

The hearing proceeded as follows:

EDUARDO TOPENIO, JR., Administrative Assistant to the County Clerk:
Committee Chair, we received twelve (12) testimonies: eleven (11) opposed and one (1) other. We also have one registered speaker. His name is Gary Pierce.

GARY PIERCE: For the record, my name is Gary Pierce. I am here to testify on Bill No. 2548. When I first heard about this Bill, I did not know if it was a tax increase or a tax decrease. My gut instinct tells me that it is a tax increase for the time shares. What I am here to speak on is the unforeseen ramifications of any kind of proposal that you pass, any kind of taxes. There are many homes in Princeville that are fractional shares, so for those homes, it probably would be a tax increase. I do not know how many beds we have actually in time share right now, but let us say there is say one thousand (1,000) beds and there are fifty-two (52) weeks in each time share. That means there is going to be fifty-two thousand (52,000) calculations for our Finance Director on that weekly basis to determine that one condo's actually valuation for the *ad valorem* tax, and then the rate will go. On the initial sales, I think that is fine because that is the value. When they sell a condo that they have divided up for two million five hundred thousand dollars (\$2,500,000), that is the *ad valorem* tax. A lot of times two (2) or three (3) years down the line, these condos go into foreclosure. It addresses that issue. Sometimes these time shares drop to zero (0) in value at a lot of these properties. What happens then? There are unforeseen ramifications when you do this. I can see that they have been thought out and I know that you are trying to increase the tax, but later on, something else can happen. Let us say this fractional valuation that we have... some of the homes in Princeville— how do you say it? People can get around these things. I can set up a partnership where we are cotenants and it is not a fractional share anymore. Even though you are trying to increase taxes, an unforeseen ramification is that we can get around it. That is what I am here mostly to speak on, which are the things that we do not see. We have been fighting this transient vacation rental for years, and I saw it start. It was not like somebody would come and start a vacation rental business. It was like “without the cap, my taxes started going up. I need a little extra and I will rent out the room a little bit.” The neighbors would go, “Okay.” I have seen houses that looked like an apartment building. Anyway, I am diverging a little bit. There is a way around everything when it starts. I am just trying to bring up some of the points. It is like brainstorming sometimes. You guys have to really think about, “What else can happen? What else can go on?” I am going to end my testimony there. I am just repeating myself. Thank you very much for this time and effort. I think that these Bills need to be thought out and really rationalized. This Bill

would be perfect if there was a cap because you are capped. It would have sold for even though if it reduces. Thank you.

Mr. Chock: Can you state for the record what property you are representing?

Mr. Pierce: I am not representing any property. I am coming here just to testify to give information. My taxes went up significantly. I am in the trifecta. I lost a homestead category.

Mr. Chock: Thank you. We do have one question from Councilmember Yukimura.

Ms. Yukimura: Hi, Mr. Pierce.

Mr. Pierce: Hi, Ms. Yukimura.

Ms. Yukimura: Which Bill are you testifying on?

Mr. Pierce: This was the Time Share Bill.

Ms. Yukimura: Okay. You are in a time share.

Mr. Pierce: No, I am not.

Ms. Yukimura: Okay. The impacts you are talking about are not the ones...

Mr. Pierce: Yes I am. If this Bill passes, there are unforeseen consequences with every one of these Bills that you pass. I am trying to bring up those ramifications that I can see or somebody can go, "I am a fractional share. I can form a partnership and we are all cotenants. We can get around this Bill." I am just thinking one way. There are other possibilities that I cannot even think of.

Ms. Yukimura: Are you suggesting that we do not pass any bills at all?

Mr. Pierce: I am suggesting that you pass a cap.

Ms. Yukimura: That is your main point.

Mr. Pierce: I would like to see a cap because if this Bill is capped at what they sold them for, then it is a tax increase. If it is an *ad valorem*

tax— most of these condos have a very big turnover on an ongoing basis. You see in the paper where they are being foreclosed on. What is the value after it is foreclosed? It does address that and the County has to adjust to that.

Ms. Yukimura: The cap, right now and before, does not apply to...

Mr. Pierce: Time share.

Ms. Yukimura: Yes, right. Thank you.

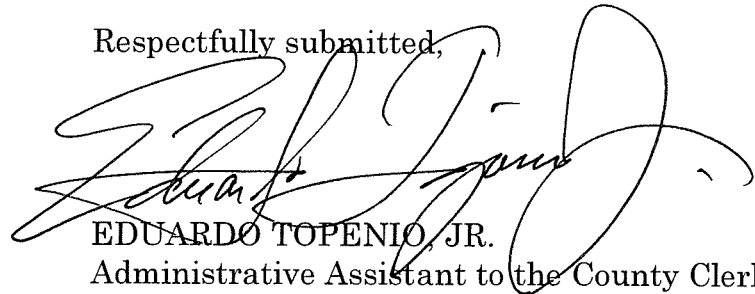
Mr. Chock: Is there anyone else who is registered to speak?

Mr. Topenio: There are no other registered speakers.

Mr. Chock: Does anyone from the audience want to speak? If not, we will move on.

There being no further testimony on this matter, the public hearing adjourned at 2:10 p.m.

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read 'Eduardo Topenio, Jr.', is written over the printed name and title.

EDUARDO TOPENIO, JR.

Administrative Assistant to the County Clerk

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